

HCL INFOSYSTEMS LIMITED
Audited Financial Results for the quarter and year ended March 31, 2020
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Particulars	Standalone				
	Three months ended			Year ended	
	31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.03.2019
	Audited	Unaudited	Audited	Audited	
1 Income					
Revenue from operations	18,736	38,880	81,622	164,813	358,132
Other income	191	676	1,532	2,965	6,021
Total Income	18,927	39,556	83,154	167,778	364,153
2 Expenses					
(a) Cost of materials consumed	-	-	-	-	4
(b) Purchase of stock-in-trade	17,768	34,587	46,679	154,799	325,220
(c) Changes in inventories of stock-in-trade	2,332	2,669	31,732	6,105	19,301
(d) Employee benefits expense	1,399	1,602	1,387	5,654	6,588
(e) Finance costs	1,725	1,877	2,402	8,427	10,337
(f) Depreciation and amortization expense	147	164	181	741	838
(g) Other expenses	1,915	2,041	2,266	7,370	9,176
Total expenses	25,286	42,940	84,647	183,096	371,464
3 Loss before exceptional items and tax (1 - 2)	(6,359)	(3,384)	(1,493)	(15,318)	(7,311)
4 Exceptional items loss (Refer note 4)	(4,072)	(4,356)	(9,140)	(10,171)	(13,323)
5 Loss before tax (3 + 4)	(10,431)	(7,740)	(10,633)	(25,489)	(20,634)
6 Tax expense					
(a) Current tax	-	-	-	-	-
(b) Deferred tax expense	-	6,355	-	6,355	-
7 Net loss for the period (5 - 6)	(10,431)	(14,095)	(10,633)	(31,844)	(20,634)
8 Other comprehensive income					
A (i) Items that will not be reclassified to profit or (loss)	(21)	-	(99)	(21)	(99)
(ii) Income tax relating to items that will not be reclassified to profit or (loss)	-	-	-	-	-
B (i) Items that will be reclassified to profit or (loss)	-	-	-	-	-
(ii) Income tax relating to items that will be reclassified to profit or (loss)	-	-	-	-	-
Total other comprehensive income, net of income tax	(21)	-	(99)	(21)	(99)
9 Total comprehensive income for the period (7 + 8)	(10,452)	(14,095)	(10,732)	(31,865)	(20,733)
10 Paid-up equity share capital (Face value per share of Rs. 2/- each)	6,584	6,584	6,584	6,584	6,584
11 Reserve as per balance sheet of previous accounting year				(10,566)	21,299
12 Earnings per share (of Rs 2/- each) (not annualized) :					
(a) Basic	(3.17)	(4.28)	(3.23)	(9.67)	(6.27)
(b) Diluted	(3.17)	(4.28)	(3.23)	(9.67)	(6.27)

Particulars	Standalone	
	As at 31.03.2020	As at 31.03.2019
	(Audited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	5,360	5,824
Right to use	84	-
Capital work-in-progress	-	4
Other intangible assets	36	94
Financial assets		
i. Investments	4	4
ii. Other financial assets	3,485	7,167
Deferred tax assets (net)	-	6,355
Advance income tax (net)	4,446	4,195
Other non-current assets	19,696	18,329
Total non-current assets	33,111	41,972
Current assets		
Inventories	2,424	8,530
Financial assets		
i. Trade receivables	15,838	37,955
ii. Cash and cash equivalents	3,756	3,899
iii. Bank balances other than (ii) above	2,222	11,631
iv. Loans	20,356	51,559
v. Other financial assets	3,433	7,272
Other current assets	4,643	5,502
Total current assets	52,672	126,348
Assets held for sale	-	1,426
Total assets	85,783	169,746
EQUITY AND LIABILITIES		
Equity		
Equity share capital	6,584	6,584
Other equity	(10,566)	21,299
Total equity	(3,982)	27,883
LIABILITIES		
Non-current liabilities		
Financial liabilities		
i. Borrowings	2,275	9,440
ii. Lease obligations	103	-
Provisions	227	602
Total non-current liabilities	2,605	10,042
Current liabilities		
Financial liabilities		
i. Borrowings	42,060	49,499
ii. Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	671	403
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	34,149	51,778
iii. Other financial liabilities	7,638	26,491
Other current liabilities	1,463	2,899
Provisions	1,179	751
Total current liabilities	87,160	131,821
Total liabilities	89,765	141,863
Total equity and liabilities	85,783	169,746

Notes

- After recommendation by the Audit Committee, these results have been approved and taken on record by the Board of Directors at its meeting held on June 15, 2020. The statutory auditors have issued review report with unmodified opinion on these results.
- The amounts for the quarter ended March 31, 2020 and March 31, 2019 represent difference between the amounts as per audited year end accounts and the year to date results upto December 31, 2019 and December 31, 2018 respectively and which have been subjected to limited review.
- As at March 31, 2020, the Company has accumulated losses and its net worth has been fully eroded, the Company has a net loss during the current and previous year and the Company's current liabilities exceeded its current assets by Rs. 34,488 lakhs (March 31, 2019 Rs. 5,473 lakhs) as at the balance sheet date. The losses are primarily as a result of delayed receipts on certain system integration contracts, certain historical low margin contracts, slow-down of distribution businesses and finance costs. The Company's management is pursuing strategies which include scale down of loss-making businesses like scaling down of the distribution business (refer note 10), sale of certain non-core properties and reduction in outstanding debts. To ensure the necessary financial support for its operations the Board of Directors of HCL Corporation Private Limited has issued a support letter (in the form of corporate guarantee or unsecured loan) to the Company to the extent of Rs. 50,000 lakhs. Considering the above support, the Company's management and the Board of Directors has a reasonable expectation that the Company will be able to realise its assets and discharge its contractual obligations and liabilities as they fall due in the near future in the normal course of business. Accordingly, the standalone financial statements have been prepared on a going concern basis.

4. Exceptional items include :

(Rs. In Lakhs)

Particulars	Three months ended			Year ended	
	31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.03.2019
	Audited	Unaudited	Audited	Audited	
a. Profit on sale of properties*	-	-	-	1,565	-
b. Impairment of investment in Digilife Distribution and Marketing Services Limited	-	-	(5,605)	-	(5,605)
c. Provision against loan given to subsidiaries	(4,072)	(4,356)	(3,535)	(11,736)	(7,882)
d. Gain on sale of investment in subsidiary	-	-	-	-	164
Total (a+b+c+d) - Profit / (Loss)	(4,072)	(4,356)	(9,140)	(10,171)	(13,323)

* Exceptional gain of Rs. 1,565 lakhs for the year ended 31.03.2020 represents profit on sale of properties situated at Plot No. 10, CTS No. 86 Lohegaon, Viman Nagar, Pune and G-8,9,10, Sector 3, and B-13,14 Sector 8, Noida location under property monetization plan, under which agreement to sale had been approved by Board on 13.05.2019 and 20.05.2019 respectively.

- The operations and financial results of the company were marginally impacted due to shut down of company's operations across various locations w.e.f. March 23, 2020 as per the directives of both the Central and State Governments in the wake of COVID-19 pandemic. In evaluating the impact of COVID-19 on its ability to continue as a going concern and the possible impact on its financial position, the management has assessed the impact of macro-economic conditions on its business and the carrying value of its major assets comprising of Property, Plant and Equipment (PPE), trade receivables and other balances recoverable. In this regard, the management has carefully considered the circumstances and risk exposures arising from the COVID-19 situation for developing the estimates on the basis of available information in its assessment of impact thereof on its financial reporting. Based on aforesaid assessment, management believes that the Group will continue as a going concern and will be able to meet all of its obligations as well as recover the carrying amount of its aforesaid assets as on March 31, 2020. Management believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of these financial statements. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and actual results may differ materially from these estimates. The Group will continue to monitor any material changes to future economic conditions and any significant impact of these changes would be recognized in the financial statements as and when these material changes to economic conditions arise.

- The Board of Directors of HCL Infosystems Limited in its meeting held on August 06, 2019 had approved to sell the entire shareholding held by HCL Learning Limited (a Subsidiary of HCL Infosystems Limited) in HCL Insys Pte Ltd, Singapore (step subsidiary) after the transfer of the trading business and the subsidiary Nurture Technologies FZE to HCL Investments Pte Ltd (subsidiary of HCL Infotech Limited). The sale has been made to PCCW Solutions Ltd for a total consideration of Rs.30,335 lakhs. The transaction was completed on November 15, 2019.

- As communicated earlier, pursuant to the approval by the Board of Directors of Company in its meeting held on January 31, 2018, the CARE business division has been transferred to QDigi Services Limited on March 31, 2018 and subsequently the entire shareholding of QDigi Services Limited has been divested to M/s Quess Corp Limited on April 11, 2018.

- As communicated earlier, pursuant to the approval by the Board of Directors of Company in its meeting held on February 9, 2018, the Company has divested its investments (both Equity and Optionally Convertible Debentures(OCB)) in HCL Services Limited to M/s Karvy Data Management Services Limited for a consideration of Rs 112.10 crore (Equity Rs 17.45 crore and OCB Rs 94.65 crore, the consideration for OCB is equivalent to the Income Tax refund and is receivable as and when the Tax refund is received by HCL Services Limited). The Company signed a Share Purchase Agreement on May 31, 2018 and the shareholding was divested on June 15, 2018.

This transaction excludes;

- Care Business (divested to M/s Quess Corp Limited)
- IT & Facility unit (transferred to HCL Infosystems Limited)
- Investment in HCL Insys PTE Limited, Singapore including its subsidiaries (transferred to HCL Learning Limited)

- As communicated earlier, pursuant to the approval by the Board of Directors of the Company in its meeting held on October 15, 2018, the entire shareholding held by Nurture Technologies FZE (formerly known as HCL Infosystems MEA FZE)(Step-down Subsidiary) in its direct subsidiaries Gibraltar Technologies LLC (Dubai), Gibraltar Technologies LLC (Abu Dhabi) and step-down subsidiary Gibraltar Technologies WLL (Qatar) has been transferred to consortium of individuals viz Mr. Ahmed Khalaf Ahmed Khalaf Al Otaiba, Mr. Syed Mohammed Bukhari, Mr. Khadeer Peer Shariff S S and Mr. Abdul Qadir Bukhari on November 27, 2018 for a consideration of AED 34 lakhs (approximately equivalent Rs 650 lakhs).

- In view of the current financial stress faced by the Enterprise and Consumer Distribution businesses resulting in decline in sales and increase in losses, the Board had appointed a reputed independent consulting firm to review these businesses. Based on the report of the consulting firm and the inputs of the management team, the Board in their meeting dated January 27, 2020 decided that because of low margin contracts, tough market conditions and the current financial position of the Company, the Distribution businesses of the Company were not financially sustainable. Consequently, the Board recommended that in order to limit future financial losses, the Enterprise and Consumer Distribution Business be gradually scaled down over the next few quarters.

- Financial result for all the period presented have been prepared in accordance with the Companies (Indian accounting standard rule 2015 (as amended from time to time prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable.

- Effective April 1, 2019, the Company has adopted Ind AS 116 "Leases", using modified retrospective method. The Company has elected the practical expedients, which allows the Company not to reassess in prior conclusions about lease identification, lease classification and initial direct cost. The comparative information is not restated in the financial results for the current quarter and year to date period, the nature of expenses in respect of operating lease has changed from lease rent in previous period to depreciation cost for the right to use assets and finance cost for interest accrued on lease liability.

- A statement of cash flow is attached in Annexure A

- Figures for previous periods have been regrouped and rearranged, wherever necessary, to conform with the relevant current period's classification.

By order of the Board
for HCL Infosystems Limited

Nikhil Sinha
Chairman

Place : Noida
Date : June 15, 2020

Standalone Cash Flow Statement for year ended March 31, 2020

(Rs. In Lakhs)

Particulars	Year ended	Year ended
	31.03.2020	31.03.2019
	Audited	Audited
Cash Flow from Operating Activities:		
Loss before tax	(25,489)	(20,633)
Adjustments for:	-	-
Depreciation and amortisation expense	741	838
Finance cost	8,427	10,337
Interest income	(1,494)	(2,693)
Dividend income	-	(165)
Net profit on sale of properties	(1,574)	(3)
Property, plant and equipment written-off	12	-
Gain on sale of investment carried at FVTPL	-	(334)
Diminution other than temporary in the value of long term investment	-	5,605
Provision against inter Company deposits given to subsidiaries	11,736	7,883
Gain on foreign exchange fluctuation	(94)	(154)
Provision for doubtful debts	409	-
Provisions/liabilities no longer required written back	(195)	(418)
Operating profit / (loss) before working capital changes	(7,521)	263
Changes in operating assets and liabilities		
- Decrease in trade receivables	21,708	18,318
- Increase in non-current assets	(1,528)	(10,939)
- Decrease in current assets	5,014	2,654
- Decrease in inventories	6,106	19,327
- (Decrease) / increase in non current liabilities	(375)	146
- Decrease in current liabilities	(18,118)	(14,676)
Cash flow from operations	5,286	15,093
- Taxes paid (net)	(252)	(1,594)
Net cash generated from operating activities (A)	5,034	13,499
Cash flow from investing activities:		
Purchase of properties plant and equipment and intangible assets	(32)	(68)
Proceeds from sale of properties	2,991	55
Proceeds from sale of investments	-	11,053
Interest received	1,494	2,805
Redemption/maturity of bank deposits (net)	8,557	(10,421)
Movement in margin money account (net)	(355)	(12)
Movement in balances with banks on dividend account	12	50
Dividend received on investments	-	165
Inter corporate deposits given	(47,020)	(50,997)
Inter corporate deposits received back	66,562	59,338
Receipt of business consideration on sale of investment in subsidiaries	5,021	1,496
Net cash generated from investing activities (B)	37,230	13,464
Cash Flow from Financing Activities:		
Proceeds from loans and borrowings	178,543	127,492
Repayment of loans and borrowings	(212,040)	(144,904)
Lease obligation paid	(149)	-
Interest paid	(8,729)	(10,141)
Unclaimed dividend transferred to investor education and protection fund	(12)	(50)
Net cash used in financing activities (C)	(42,387)	(27,603)
Net decrease in cash and cash equivalents (A+B+C)	(123)	(640)
Opening balance of cash and cash equivalents	3,899	4,549
Exchange difference on translation of foreign currency cash and cash equivalent	(20)	(10)
Closing balance of cash and cash equivalents	3,756	3,899
Cash and cash equivalents comprise of:		
- Cash, cheques and drafts (on hand)	-	1,778
- Balances with banks on current accounts	3,756	2,121